

Collective bargaining priorities

Ernest B. Akyeampong

Collective agreements are negotiated by unions and employers to establish the terms and conditions of work as well as the rights and obligations of the two parties. The terms of agreement, known as provisions, are the result of the bargaining process, and may be proposed by employers or unions. The final agreement takes into account the prevailing socio-economic climate, and balances employee demands against the employer's ability to satisfy them. Some provisions such as pay, leave, and medical, dental and pension coverage are integral to virtually all collective agreements. These perennial provisions are well-reported and have been extensively analyzed in past studies (Akyeampong 2002, 2003; Marshall 2003).¹

Other provisions are not as well-known, mainly because their relevance, and hence their inclusion in settlements, reflects socio-economic climate. A good example is the cost-of-living adjustment (COLA) clause. This allows for pay increases at specified intervals during the life of the contract, reflecting changes in the consumer price index. In the early 1980s, when inflation was in the double digits, COLA clauses were a common feature of most collective agreements. In recent years, with annual inflation hovering around 2%, demands for COLA clauses have taken a back seat to more pressing demands.

Using the Workplace and Employee Survey (WES), this article examines some recent popular but perhaps less publicized provisions (see *Data source and definitions* and *Collective bargaining provisions in WES*). Are certain provisions more common in some industries than in others, and if so, why? How many employees are affected by the various provisions? Does the presence of such provisions in a settlement significantly affect labour-management harmony?

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Data source and definitions

The **Workplace and Employee Survey (WES)** is a joint program of Statistics Canada and Human Resources and Skills Development Canada. The goal of WES is to examine the way employers and their employees respond to the changing competitive and technological environment. Survey results provide insight into the relationship between a firm's employment practices and its performance, as well as in-depth information on the effects of technology, training, and human resources practices. The survey is unique in that employers and employees are linked at the microdata level—employees are selected from the sampled workplaces. Thus, information from both employers and employees is available in a single framework. The longitudinal aspect of WES allows researchers to study both employers and employees over time.

The 1999 sample consisted of 6,300 establishments and 23,500 employees. The 2001 sample consisted of 6,200 establishments and 20,400 employees. Public administration, agriculture, fishing and trapping, and private households are excluded from WES.

Provision inclusion rate is the percentage of bargaining settlements containing a given provision. It is the likelihood of a given provision appearing in a bargaining settlement. Thus, if a provision appears in 9 of 10 settlements, the inclusion rate for that provision is 90%. The higher the rate, the more popular or common that provision is deemed to be, and vice versa.

Settlement provision density is the proportion of provisions in WES that are included in a bargaining settlement. Thus, if a settlement contained 8 of the 10 provisions, the settlement provision density would be 80%.

Socio-political and economic context

The priorities of unions and employers and the outcomes of the bargaining process are determined by the socio-political and economic climate of the time as well as evolving business practices. Although this study looks at agreements signed in 1999 and 2001, the settlement provisions reflect events and priorities over a much longer period, both preceding and following the date of signing. And, because collective agreements usually last about three years (HRSDC 2004, 7), the 1999 and 2001 results cover a span of approximately five to six years.

Undoubtedly, the performance of the economy has a major influence on settlements. In this regard, economic indicators at the end of the 1990s and the start of the new century were generally favourable. Canada's GDP experienced sustained annual growth beginning in 1992, only to gather more steam (to over 5%) in both 1999 and 2000, partly because of the Y2K boom (Table 1). A minor bust followed in 2001, mostly as a result of the information technology meltdown. Labour market performance mirrored the GDP, with the unemployment rate recording continuous annual declines starting in 1994 (10.4%), bottoming out (at 6.8%) in 2000, and then climbing (to 7.2%) in 2001. The annual inflation rate as measured by the consumer price index remained under 2% for most of the 1990s, edging up to over 2.5% in 2000 and 2001. These rates pale in comparison with the 10% to 12% experienced in the early 1980s. All in all, the low inflation environment did not prompt demands for COLA clauses, allowing labour and management to pay closer attention to other issues.

Table 1 Selected economic indicators

	Gross domestic product	Consumer price index	Base wage rate ¹	Unemployment rate
		% change		%
1980	2.2	10.1	11.1	7.5
1981	3.5	12.4	13.0	7.6
1982	-2.9	10.9	10.2	11.0
1983	2.7	5.8	4.8	12.0
1984	5.8	4.3	3.6	11.3
1985	4.8	4.0	3.7	10.6
1986	2.4	4.1	3.4	9.7
1987	4.3	4.4	4.0	8.8
1988	5.0	4.0	4.4	7.8
1989	2.6	5.0	5.2	7.6
1990	0.2	4.8	5.6	8.2
1991	-2.1	5.6	3.6	10.3
1992	0.9	1.5	2.1	11.2
1993	2.3	1.8	0.7	11.4
1994	4.8	0.2	0.3	10.4
1995	2.8	2.2	0.9	9.6
1996	1.6	1.6	0.9	9.7
1997	4.2	1.6	1.5	9.2
1998	4.1	0.9	1.7	8.4
1999	5.5	1.7	2.2	7.6
2000	5.2	2.7	2.3	6.8
2001	1.8	2.6	3.2	7.2

Sources: Statistics Canada; HRSDC Workplace and Employment Directorate

¹ In collective agreements.

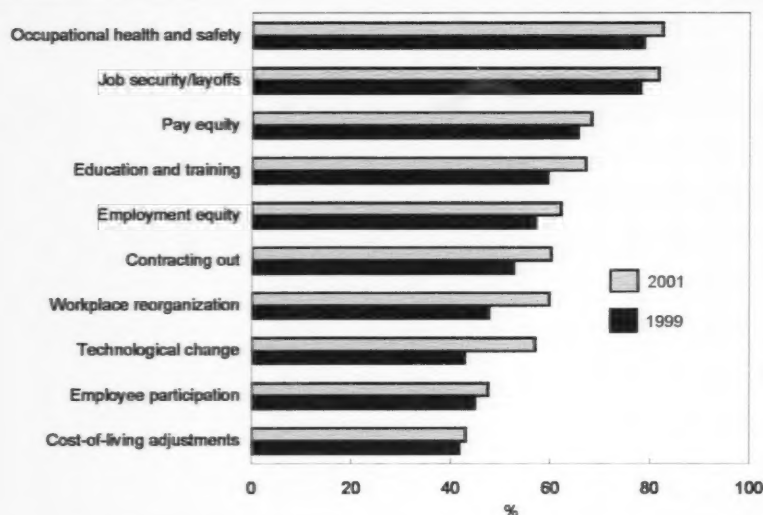
Growing demands for fairness and equity, both in the workplace and elsewhere, have also been a driving factor in collective bargaining. The post World War II era saw a large influx of immigrants, the mass entry of women into the workforce, a rise in feminism, and greater calls for equality and human rights. These trends pushed the federal government to introduce *The Human Rights Act* (1976-77), the *Employment Equity Act* (1985), and *Equal Wages Guidelines* (1986). Over time, the provinces enacted similar laws. Although application of the *Employment Equity Act* may be limited to public and selected private entities, many private businesses adhere to its principles by including appropriate provisions in their collective agreements.

Another social issue driving settlement provisions in recent years has been occupational health and safety. In 1972, Saskatchewan pioneered occupational health and safety legislation in Canada. The Saskatchewan act made health and safety a joint responsibility by requiring worker-management committees to identify and resolve health and safety concerns. It also protected workers' rights to know about hazards in the workplace, to protect themselves against them, and to refuse unusually dangerous work. All jurisdictions have followed Saskatchewan in this regard. In line with technological advances and growing awareness of environmental hazards, concerns about occupational health and safety have grown over the years. The result has been a proliferation of workplace environmental awareness committees involving labour and management, and the entrenchment of health, safety and ergonomic provisions in many settlements.

Other important concerns affecting settlements in recent years can be traced to changes in business practices. Among the most notable are increased adoption of new technology, a rise in corporate mergers and takeovers, growth in contracting out or outsourcing practices, downsizing, restructuring, and ever-increasing demand for a better-educated and more skilled workforce. To cope with these challenges, employers and unions have been forced to devise approaches that are mutually beneficial. Usually, the solutions are spelled out in collective agreements.

Most common provisions in 2001

Based on the provision inclusion rate (see *Data source and definitions*), the two most likely of the 10 provisions in WES to appear in settlements signed in 2001 related

Chart A All provision inclusion rates increased between 1999 and 2001.

Source: Workplace and Employee Survey

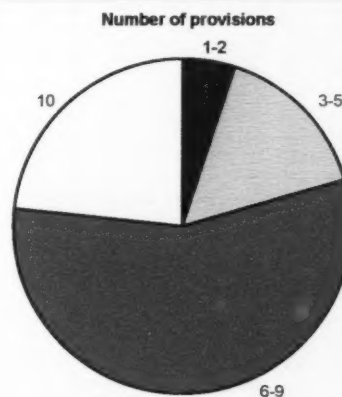
to issues of occupational health and safety, and job security. Over 80% of the 72,000 settlements (representing roughly 10% of all workplaces) that year contained provisions addressing these two concerns (Chart A). The high rate for the former is not surprising, given growing public awareness of the need to minimize work-related diseases, injuries, stress and other hazards. The high rate for job security is also understandable, especially in light of the high-tech meltdown immediately following the Y2K boom, and the associated rise in the unemployment rate in 2001.

At the other end of the scale, issues dealing with employee participation in decision making, and cost-of-living adjustments had the lowest inclusion rates—less than 50% each. Employee participation in decision making is a relatively recent but growing practice; however, its use is not yet widespread. Inflation has not been an issue over the past decade or so, and COLA clauses not surprisingly ranked last. Inclusion rates for the remaining six provisions ranged from 57% for technological change to 68% for pay equity.

Firm size had no significant effect on any of these results.

The inclusion rate for every provision rose between 1999 and 2001 (Chart A). The biggest increases occurred on issues dealing with technological change (14 percentage points) and workplace reorganization (12 points)—probably reflecting the effects of the period's high-tech boom and bust. The smallest change was the cost-of-living adjustment (up 1 point).

The likelihood of a settlement containing all or most of the WES provisions was very high in 2001, suggesting that most of them commanded the attention of both labour and employers. In 2001, close to one-quarter (23%) of all settlements contained all 10 provisions (Chart B). A little over half (56%) of settlements contained 6 to 9 provisions, and another 15% included 3 to 5. Just 5% of settlements contained clauses dealing with only 1 or 2.

Chart B Almost 80% of settlements included more than half of the 10 provisions.

Source: Workplace and Employee Survey, 2001

Industry differences

For all the major industry groups, the two most common issues were occupational health and safety, and job security (Table 2). COLA clauses featured least often in most industries.

But some notable differences were evident, driven mainly by varying unionization rates. The likelihood of any of the 10 provisions being included in settlements in education and health services, and transportation, communications and utilities—both heavily unionized—was generally much higher. At the other end of the scale, the likelihood was generally lowest in the construction industry.

Employment equity and pay equity provisions were more likely than average to appear in settlements reached in the heavily unionized transportation, communications and utilities industry group, as well as in education and health. Education and training provisions were also very common in education and health settlements, where retraining for new methods and procedures is essential.

As expected, provisions dealing with technological change, workplace re-organization, and contracting out appeared least often in construction industry settlements. The need for such provisions in this rela-

tively labour-intensive industry appeared to be low compared with the capital-intensive transportation, communications and utilities industries.

Numbers affected by provisions varied

An estimated 11.6 million employees worked for the employers surveyed in WES in 2001. Slightly more than 72,000 (10%) of the employers indicated that the settlement with their largest bargaining unit that year contained at least one of the 10 WES provisions. If it is assumed that agreement provisions eventually trickle down to other workers at the same workplace (unionized or not), then the 72,000 settlements in reality affected, directly or indirectly, most or all of the 4.8 million workers in these workplaces. This amounts to roughly 41% of the employees (Chart C). Using the proportion of total employees affected by the inclusion of a given provision, one can say that job security had the greatest impact, affecting 4.4 million or 38% of all employees. This was closely followed by occupational health and safety, and education and training. At the other end of the scale, provisions dealing with cost of living, employee participation, and employment equity affected the fewest workers—about 20%. The remaining five provisions each affected roughly 30% of workers.

Table 2 Provision inclusion rates by major industry, 2001

	All industries	A	B	C	D	E
		%				
Occupational health and safety	83	85	63	93	84	87
Job security/layoffs	82	86	58	96	80	92
Pay equity	68	53	56	66	74	82
Education and training	67	65	53	69	67	83
Employment equity	62	51	51	66	63	78
Contracting out	60	58	43	62	65	64
Workplace reorganization	60	51	30	70	63	79
Technological change	57	54	32	68	62	57
Employee participation	48	41	46	55	39	75
Cost-of-living adjustments (COLA)	43	45	47	50	39	41

Source: Workplace and Employee Survey

A Manufacturing, forestry, mining, oil and gas extraction

B Construction

C Transportation, communications and utilities

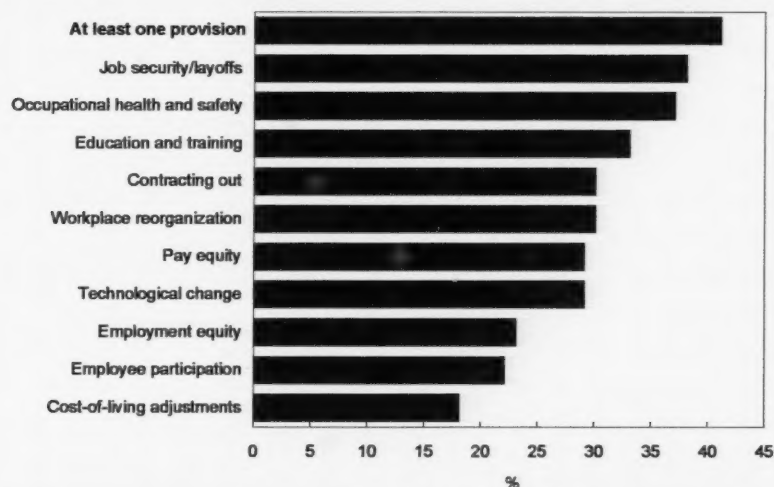
D Other services

E Education and health

Labour-management relations

WES asked employers to rate how they perceived their labour-management relations—good, fair or poor. This question was asked only of employers with bargaining agents (unions) who also had some grievance or conflict resolution system in place, thus levelling the playing field for the 46,000 respondents.

Irrespective of the number of provisions contained in a settlement, approximately 80% of respondents rated their labour-management relations as good, 20% as fair, and virtually none as poor (Table 3). All things being equal, one would expect the number of provisions contained in a settlement and the

Chart C Job and personal security provisions affected the most workers.

Source: Workplace and Employee Survey, 2001

state of labour-management relations to be positively related. In other words, the higher the number of provisions in an agreement, the higher the expectation of harmonious relations, and vice versa. However, the results were inconclusive.

As expected, employers whose settlements contained the least number (1 or 2) of provisions rated their labour-management relations as good less often: 73% compared with the overall 80% average. Thereafter, the results showed no discernable pattern. For example, contrary to expectation, 88% of employers who had only 3 to 5 provisions in their settlements rated labour-management relations as good, a ratio that exceeded even that for those whose settlements contained 6 to 9 provisions (77%) or all 10 provisions (83%). These results suggest that factors other than those listed in WES may be stronger determinants of labour-management harmony, such as supervisor-subordinate relationships or promotion prospects. In addition, it is possible that the more provisions in a bargaining settlement, the greater the strain in maintaining good labour-management relations.

Conclusion

As socio-economic climate and business practices change, so do the provisions of bargaining settlements. For example, COLA clauses have been much less popular in the low inflation climate of recent years than in the early 1980s when inflation was in the double digits. Similarly, growing demand for healthy, hazard-free workplaces as well as for equity and fairness has raised the profile of provisions dealing with such issues in bargaining settlements.

After consultations with employers, unions and labour-market practitioners, a list of 10 collective bargaining provisions was compiled by WES. The results show that along with job security, the most common provision (appearing in over 80% of settlements) is

Table 3 Labour-management relations by settlement provision density

Employer rating	Total	Provisions in settlements			
		1-2	3-5	6-9	10
		%			
Good	80	73	88	77	83
Fair	20	27	11	23	16
Poor	0	0	1	0	0

Source: Workplace and Employee Survey, 2001

occupational health and safety. Other common provisions, appearing in more than 6 in 10 bargaining settlements, centred on pay and employment equity issues as well as education and training—the latter driven by rapidly evolving technology and heightened business competitiveness. In addition, changes in business

Collective bargaining provisions in WES

In addition to seeking information on well-known or traditional bargaining provisions such as pay, leave entitlements, non-wage benefits (medical, dental and pension coverage), and grievance procedures, WES asked employers if their settlements (numbering over 72,000 in 2001) contained other provisions. A list of 10 was selected following extensive consultation with employers, union leaders, and human resource practitioners in the early 1990s. It is therefore possible that more recent contract provisions may have been missed.

The question read: *Does the agreement with the largest bargaining unit define how to deal with the following provisions? These were:*

Technological change

Advances in technology and knowledge that increase society's output of goods and services. Technological change may consist of improved products, better manufacturing processes, advances in managerial know-how, new materials, or improved communications and distribution systems. It could result in reallocation of human resources or even layoffs.

Workplace reorganization

Practices affecting the reorganization of the workplace—for example, an employee suggestion program, flexible job design (job rotation or enrichment), information sharing, problem-solving teams, labour-management committees, and self-directed work groups.

Employee participation

Refers to employee participation in decision making in the workplace—for example, decisions concerning technological change, organizational change, health and safety, and so forth.

Occupational health and safety

Policies to reduce risk of accidents, injuries and disease in the workplace. This also includes stress.

Employment equity

Provisions to ensure that no one is denied employment or promotion for reasons unrelated to their ability (for example, sex, race or disability).

Pay equity

Policies ensuring that pay is related to the skills required to do the job regardless of who does it, and also that the pay for jobs with similar skills will be the same.

Job security/layoffs

Various provisions giving workers job protection in the event of automation or new production methods or products.

Contracting out

The hiring of a person or company from outside the business, under contract, to perform a specific task. Contracting out may affect career advancement and may even result in layoff.

Education and training

Policies allowing employees to receive education and training to meet the requirements of their position and, in some cases, to advance their career.

Cost-of-living adjustments

A cost-of-living allowance clause provides pay increases at specified periods during the life of a contract in line with increases in the consumer price index.

practices appear to be increasing the popularity of provisions dealing with contracting out, workplace restructuring, and employee participation in decision making.

Perspectives

Note

1 The contents of many settlements are collected and published by the Workplace Directorate Branch of Human Resources and Skills Development Canada. The Workplace and Employee Survey, however, contains the most comprehensive and uniform list of settlement provisions. Several Statistics Canada surveys such as the Survey of Labour and Income Dynamics, and the Labour Force Survey also contain information on several well-known provisions.

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